

Securities and Commodities

(SIC 62)

SIGNIFICANT POINTS

- Securities sales representatives and executive, administrative, and managerial workers, who generally have a college degree, account for about half of all jobs in the industry; the rest are mainly clerical.
- Increasing investment in securities and commodities along with the growing need for investment advice, is projected to produce rapid employment growth.
- The potential for high earnings means keen competition for securities sales representative positions—particularly in larger firms.

Nature of the Industry

The securities and commodities industry has been at the forefront of an investment boom in recent years, as investors have spent vast amounts of money buying stocks, bonds, mutual funds, commodity futures, and other financial products. Especially throughout the latter half of the 1990s, the industry has been adding large numbers of workers to facilitate the growing purchase and sale of securities and commodities.

The industry is made up of a variety of firms and organizations that bring together buyers and sellers of securities and commodities, manage investments, and offer financial advice. Brokerage firms are the most numerous, employing nearly 8 out of 10 people in the industry. In these firms, investors place their buy and sell orders for a particular security or commodity by phone, online, or through a broker. The firm fills the order in one of two ways. If the stock or commodity is sold on an exchange, such as the New York Stock Exchange, the firm will send the order electronically to the company's floor broker at the exchange, who will post the order and execute the trade by finding a seller or buyer for the security or commodity at the best price for the client. Alternatively, if the stock is not listed on an exchange, the firm can contact a dealer through a dealer network, such as Nasdaq, who trades in that security and stands ready to buy or sell it at any time. Large investors can access an "electronic communications network," or ECN, which bypasses the exchanges and dealer networks and matches buy and sell orders through the computer, eliminating the middleman.

Investors who do not have time to research investments on their own, will likely rely on a full-service broker who has access to a wide range of reports and analyses from the company's large staff of financial analysts. These analysts research companies and make recommendations on which investments are best for people with different savings and investment needs.

Brokerage firms also provide investment banking services. Investment banking involves buying initial stock or bond offerings from private companies or from Federal, State, and local governments, and in turn selling them to investors for a potential profit. This service can be risky, especially when it involves a new company selling stock to the public for the first time. Investment bankers must try to determine the value of the company based on a number of factors, including projected growth

and sales, and decide what price investors are willing to pay for the new stock. Investment bankers also advise businesses on merger and acquisition strategies and may arrange for the transfer of ownership.

A relatively small number of professionals in the industry work in the exchanges, where the actual trading of securities and commodities takes place. Computers and their applications have made brokers in the exchanges much more productive and capable of handling ever increasing volumes of trades.

Companies that specialize in providing investment advice and portfolio management are also included in this industry. These companies range from very large mutual fund management companies to self-employed financial planners. They also include managers of pension funds, commodity pools, trust funds, and other investment accounts.

Firms in this industry offer a number of other services, many of which you can also obtain from other financial service providers. Cash management accounts that many brokerage firms offer, for instance, are similar to checking accounts in that they allow account holders to deposit money into a money market fund and then write checks, take out margin loans, or use a debit card. Some brokerage firms offer mortgages and other types of loans and lines of credit. Also, they may offer trust services, help businesses set up benefit plans for their employees, and sell annuities and other life insurance products.

Employment in each of the segments of the securities and commodities industry is directly affected by the activity of the stock and futures markets and the sales levels of financial products. Because these factors are determined largely by the strength of the economy, the industry prospers during good times, but is more adversely affected by downturns than many other industries.

Working Conditions

Most people in this industry work in comfortable offices; however long hours, including evenings and weekends, are common. Even when not working, professionals in this industry must keep abreast of events that may affect the markets in which they specialize. The average workweek for this industry is 39 hours, with most professionals working substantially longer. Opportunities for part-time work are limited—only 7.4 percent work part-time. In 1997, the industry had only 0.7 injuries and illnesses per 100 full-time workers. Working conditions vary by occupation.

Security sales representatives who deal mostly with individual investors and small businesses often work in branch offices of regional or national brokerage firms or for a small brokerage or financial planning firm. New sales representatives work long hours, mostly soliciting customers. During the day, they are on the phone continually to prospective customers, while at night they may attempt to generate new business by giving classes or seminars or attending community functions. New sales representatives also spend many hours studying for a variety of tests to qualify them to sell other investment products, such as commodities or insurance. Although established representatives work more regular hours, all representatives meet with clients in the evenings and on weekends, as needed.

Sales representatives who actually perform the buying and selling of securities and commodities may have one of the most hectic jobs of any profession. Often called traders, market makers, dealers, or floor brokers, they work on the floors of exchanges or at a computer that is linked to other traders. They not only take orders from clients and try to get the best price for them, they must constantly keep an eye on market activity and stay in touch with other traders and brokers to know what prices are being offered.

Jobs in investment banking, including those of financial managers, analysts, or assistants, generally require the longest hours—often 70-80 hours per week—in addition to extensive travel. In this area, there is a great deal of pressure to meet deadlines and acquire new business. Researchers, financial analysts, and investment managers working for brokerage and mutual fund firms also work long hours, researching and evaluating companies and their markets. Frequent travel to visit companies is common.

Financial planners work in offices or out of their homes. Most work regular business hours, but many accommodate clients by visiting them at their homes in the evenings or on weekends. Administrative support workers usually work a 40-hour week, but overtime may be necessary during times of heavy trading.

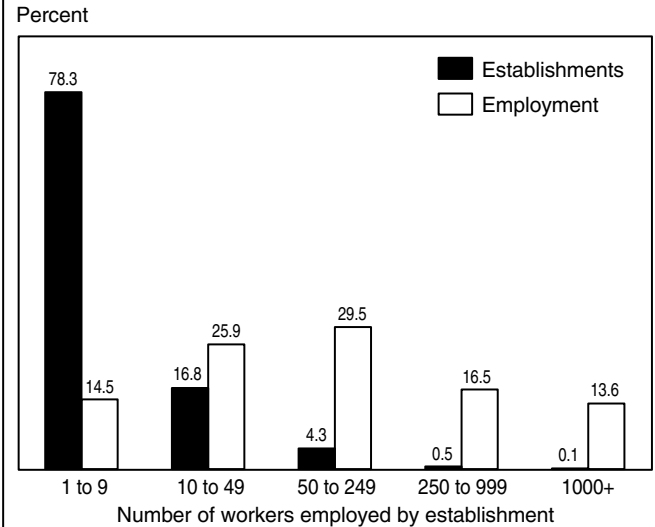
Employment

The securities and commodities industry employed 644,700 wage and salary workers in 1998. An additional 102,000 workers were self-employed. With their large network of retail sales representatives located in branch offices throughout the country, the large nationally-known brokerage companies employ the majority of workers in this industry (see chart). The headquarters of many of these firms, where most executives and administrative support personnel are employed, are located in New York City. Many people are also employed by mutual fund management companies and smaller regional brokerage firms. A relatively small number work at securities or commodity exchanges—primarily the New York Stock Exchange, the Chicago Board of Trade, the Chicago Mercantile Exchange, and a number of regional exchanges.

Occupations in the Industry

Securities, commodities, and financial services sales representatives make up the single largest occupation in this industry (table 1). Although the occupation includes a variety of job titles and activities, all involve placing orders or buying and selling securities, commodities, or other financial services.

Ninety-five percent of establishments in securities and commodities employ fewer than 50 people



Source: U.S. Department of Commerce, *County Business Patterns*, 1997

The most common sales representatives deal directly with the public and are often called retail brokers, account executives, registered representatives, or financial consultants. Securities brokers typically buy and sell stocks, bonds, mutual funds, and other financial services, while commodity brokers deal primarily with futures contracts on metals, energy supplies, agricultural products, and financial instruments.

When a client places an order for one of these items, brokers relay the order through the firm's computers to the floor of the exchange or to a dealer. Upon confirmation of the trade, the broker notifies clients of the final price. As part of their job, brokers often provide advice to clients about possible investments, taking into consideration the client's financial situation, tolerance for risk, and savings needs. Because sales is one of their major responsibilities, brokers also spend a considerable amount of time soliciting new business.

A small number of sales representatives deal exclusively with large investors, such as insurance companies, pension funds, and mutual funds. They are typically called institutional representatives or institutional brokers and provide many of the same services as a retail broker, but on a larger scale.

Sales representatives, referred to as *traders*, *market makers*, and *floor brokers*, actually make the trades on the exchange floor or over the computer. They match buyers and sellers of a particular security or commodity, sometimes using their own or their firm's money to close the deal.

Financial planners, also included among sales representatives, provide advice to both individuals and businesses on a broad range of financial subjects, such as investments, retirement planning, tax management, and employee benefits. They may take a comprehensive approach to the client's financial needs or just address a specific issue. Planners may also buy and sell financial products, such as stocks, bonds, mutual funds, and insurance for their clients.

Keeping track of transactions and paperwork constitutes a large portion of the work in this industry, which is why its largest occupational group is administrative support,

including clerical, workers. *Brokerage clerks*, the largest occupation in this category, handle much of the day-to-day operations within a brokerage firm. The largest group of clerks, called sales assistants, take calls from clients, write up order tickets and enter them into the computer, handle the paperwork for new accounts, inform clients of stock prices, and perform other tasks as needed. Some sales assistants obtain licenses to sell securities. This allows them to call brokers' clients with recommendations from the broker on specific investments. Other brokerage clerks may compute transfer taxes and dividends and keep daily records of transactions and holdings. At some companies, a number of brokerage clerk positions are considered entry level with promotion potential to securities sales representative jobs or other higher level jobs.

Executive, administrative, and managerial occupations make up 25 percent of total employment, a larger proportion than in most industries. This category includes accountants and auditors, who prepare the firm's financial statements; general managers, who run the business; and a myriad of other people with expertise in finance and investment policy.

Financial analysts generally work in the research and investment banking departments. They review financial statements of companies, evaluate economic and market trends, and make recommendations concerning the potential profits from investments in specific companies. They may also attempt to determine fair market values for companies wishing to trade their stocks publicly or those involved in mergers or acquisitions. Analysts in large firms usually specialize in a certain industry sector, like transportation or utilities, or in a market, such as government financing.

Financial managers are employed throughout the industry, preparing financial documents for the regulatory authorities or directing a firm's investment policies. In many departments, managers act as senior advisors and oversee teams of junior analysts or brokers while continuing to be actively involved in working out deals with clients.

Portfolio managers and *commodity trading advisors* are responsible for making investment decisions for clients with large sums of money to invest. These clients include mutual funds, pension funds, trust funds, commodity pools, and high net-worth individuals. Portfolio managers must know the investment goals of the client and ensure that the investments they make meet those goals.

Training and Advancement

This industry has one of the most highly educated and skilled workforces of any industry, and the requirements for entry are high—even brokerage clerks often have a college degree. The most successful workers at all levels have an aptitude for numbers and a very keen interest in investing. In addition, most people in this industry are required to be licensed by the National Association of Securities Dealers (NASD) before they can sell securities or recommend specific investments. To be licensed, brokers and assistants must pass an examination that reflects their knowledge of investments. Various licenses are available for different investment products. However, the one most brokers and broker's assistants receive is the "Series 7" license, which requires a passing score on the General Securities Registered Representative Examination administered by the NASD. Since 1995, the NASD has also required all registered persons to undergo a continuing education program every 3 years

in order to retain their licenses. Classes consist of computer-based training in regulatory matters and training on new investment products.

Table 1. Employment of wage and salary workers in securities and commodities by occupation, 1998 and projected change, 1998-2008

(Employment in thousands)

Occupation	1998 Employment Number	1998 Percent	1998-2008 Percent change
All occupation	645	100.0	39.6
Administrative support, including clerical	212	32.9	26.6
Brokerage clerks	60	9.4	28.0
Secretaries	39	6.0	12.8
General office clerks	22	3.4	42.0
Office and administrative support supervisors and managers	21	3.2	38.1
Receptionists and information clerks	11	1.7	42.1
Bookkeeping, accounting, and auditing clerks	8	1.3	16.6
Marketing and sales	199	30.9	38.5
Securities, commodities, and financial services sales workers	164	25.5	38.8
Marketing and sales worker supervisors	10	1.5	40.4
Executive, administrative, and managerial	163	25.3	51.2
General managers and top executives	34	5.3	39.2
Financial managers	23	3.6	43.2
Accountants and auditors	14	2.2	37.1
Professional specialty	47	7.3	68.7
Computer systems analysts, engineers, and scientists	23	3.6	99.0
Technicians and related support	15	2.3	20.2
Computer programmers	12	1.8	9.9
All other occupations	8	1.3	41.1

A number of professionals in this industry begin their careers as brokerage clerks. Depending on the actual job, brokerage clerks can be high school or college graduates. Positions dealing with the public, such as brokers or sales assistants, and those dealing with more complicated financial records, are increasingly held by college graduates. In addition, these jobs require good organizational ability, phone skills, and attention to detail. A Series 7 brokerage license can make a clerk more valuable to the broker because it gives the assistant the ability to answer more of a client's questions and to pass along securities recommendations from the broker. Clerks may be promoted to sales representative positions or other professional positions. Some of the larger firms have training programs, especially for their college graduates, to provide clerks with the skills needed for advancement.

A college education, although not essential, is increasingly important for securities and commodities futures sales representatives because it helps them to understand economic conditions and trends. In fact, the overwhelming majority of entrants to this occupation are college graduates. Still, many employers consider personal qualities and skills more important than academic

training. Employers seek applicants with good communication skills, a professional appearance, and a strong desire to succeed. Securities and commodities sales workers must meet Federal and State licensing requirements, which generally include passing an examination, passing a background investigation, and, in some cases, furnishing a personal bond. Most of the large brokerage firms provide formal classroom training for new brokers that can last a couple weeks to several months. Smaller firms usually rely on informal on-the-job training.

Although there are no specific licensure requirements to be a financial planner, most planners must be knowledgeable about economic trends, finance, budgeting, and accounting. Therefore, a college education is important. Financial planners must possess excellent communication and interpersonal skills to be able to explain complicated issues to their clients. Many financial planners earn a Certified Financial Planning (CFP) designation issued by the CFP Board of Standards in Denver, Colorado, or a Chartered Financial Consultant (ChFC) designation offered by the American College in Bryn Mawr, Pennsylvania. To receive these designations, a person must complete a series of exams on insurance, investments, tax planning, employee benefits, and retirement and estate planning; have the required experience in related jobs; and in the case of the CFP, must abide by the rules and regulations issued by the Board of Standards. It may take from 2 to 3 years of study to complete these programs.

Entry level analyst and other managerial support positions usually are filled by college graduates who have majored in business administration, marketing, economics, accounting, industrial relations, or finance. Many of the large companies have management training programs for college graduates in which trainees work for brief periods in various departments to get a broad picture of the industry before they are assigned to a particular department. Those working as financial analysts are encouraged to obtain the Chartered Financial Analyst designation sponsored by the Association of Investment Management and Research. To qualify, they must pass a series of rigorous essay exams requiring an extensive knowledge of many areas, including accounting, economics, and securities.

Advancement opportunities vary in the securities and commodities industry by occupation. To advance into the managerial ranks or to get some of the more lucrative and prestigious jobs on Wall Street, a master's degree is becoming increasingly essential. In investment banking, for example, most firms select the top candidates from the Nation's most prestigious business schools. However, because many business schools only accept master's degree candidates with some job experience, many securities firms hire analysts with a bachelor's degree and give them the experience they need, assuming that they will eventually obtain their master's degree.

The principal form of advancement for securities and commodity futures sales representatives is an increase in the number and size of the accounts they handle. Although beginners usually service the accounts of individual investors, a select few may eventually handle very large institutional accounts. Administrative support workers such as brokerage clerks may advance to sales representative positions or to other professional positions. Financial analysts may advance to positions in management, where they may manage investment portfolios or negotiate investment banking deals.

Earnings

Most workers in the securities and commodities industry are paid a salary on an annual or weekly basis. In 1998, the average weekly earnings of nonsupervisory workers in the security and commodity services industry were \$800, compared to \$442 in all industries combined. Earnings in 1997 for the largest occupations in the securities and commodities industry are in table 2.

Table 2. Median hourly earnings of the largest occupations in securities and commodities, 1997.

Occupation	Securities and Commodities	All industries
General managers and top executives	over \$60.01	\$26.05
Financial managers	45.74	25.19
Computer programmers	27.62	22.61
Sales agents, securities, commodities, and financial services	25.20	22.20
Financial analysts, statistical	24.90	24.68
Accountants and auditors	20.52	17.66
First-line supervisors and managers/ supervisors-clerical and administrative support workers	18.04	14.26
Transit clerks	14.53	8.02
Brokerage clerks	12.86	12.80
General office clerks	10.94	9.10

Earnings of securities and commodities futures sales workers, especially those working for full-service brokerage firms, depend in large part on commissions from the sale or purchase of stocks, bonds, and other securities or futures contracts. Commission earnings are likely to be lower when there is a slump in market activity. Earnings can also be based on the amount of assets a broker or portfolio manager has under management; with the broker or portfolio manager receiving a small percentage of the assets.

For many in this industry, a large part of their earnings come from annual bonuses based on the success of the firm. Profit sharing and stock options are also common. Salaried employees are more likely to receive typical benefits, such as paid vacations, sick leave, and pension plans, than self-employed workers.

Outlook

Employment in the securities and commodities industry is projected to rise 40 percent from 1998 to 2008, much faster than the 15 percent expected for all industries in the economy. Job growth will be fueled primarily by the increasing levels of investment in securities and commodities in the global marketplace. As long as interest rates remain low and the stock market performs adequately, people will continue to seek higher rates of return by investing in stocks, mutual funds, and other investments. In addition to the many new job openings stemming

from this growth, a large number of openings will arise as people retire or leave the industry for other reasons.

Several trends bode well for the industry through the next decade. For instance, baby boomers are in the middle of their peak savings years and the government is helping to fuel the savings boom by creating a number of tax-favorable retirement plans, such as the 401(k) and, most recently, the Roth IRA. These plans have been one of the major causes of huge inflows of money into the stock market and into mutual funds, and this trend towards saving for retirement is expected to continue.

Also, although online trading will grow and reduce the need for direct contact with an actual broker, the number of securities sales representatives is still expected to grow much faster than average, as many people will still be willing to pay for the advice a full service representative can offer. Employment of financial planners will grow for the same reason. As the number of self-directed retirement plans increases and as the number and complexity of investments rises, individuals will require more help in managing their money. Competition for securities sales representative jobs, though, is usually keen because the job attracts a large number of qualified applicants. Job opportunities for sales representatives should be best for mature individuals with successful work experience.

Another factor contributing to projected employment growth is the “globalization” of securities and commodities markets—the expansion of traditional exchange and trading boundaries into new markets in foreign countries. This, in turn, has provided an expanding array of investment opportunities and access to markets where new financial products are now available to domestic investors. These new products and markets encourage trading and prompt firms to hire more workers.

The need for skilled financial management, stemming from the demands of global markets and increasingly complex financial products, will result in faster than average employment growth for financial managers and analysts and other

managerial and administrative workers. In addition, rapid growth among high-technology industries will create a demand for analysts in the investment banking field to assist new high-technology companies in raising money. However, competition for entry level analyst positions is typically intense, as the number of applicants usually far exceeds the number of vacancies.

Due to advances in telecommunications and computer technology, the securities and commodities industry has become highly automated. This automation is expected to cause employment of computer scientists, computer engineers, and systems analysts, although currently relatively small in number, to more than double. On the other hand, automation has resulted in computerized recordkeeping of transactions, more productive administrative support staffs, and enhanced communications among foreign firms. Accordingly, employment of brokerage clerks will not grow as rapidly as the securities and commodities industry as a whole, and employment of secretaries and bookkeeping, accounting, and auditing clerks is projected to grow more slowly than the average for this industry.

Sources of Additional Information

For general information on the securities industry, contact:

- Securities Industry Association, 120 Broadway, New York, NY 10271. Internet: <http://www.sia.com>

Detailed information on many key occupations in the securities and commodities industry, including the following, may be found in the 2000-01 *Occupational Outlook Handbook*:

- Brokerage clerks
- Financial managers
- Office clerks, general
- Securities, commodities, and financial services sales representatives